

Message Text

LIMITED OFFICIAL USE

PAGE 01 BRUSSE 11680 01 OF 02 121731Z
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 STR-05 INT-05 H-01 MMO-01
AID-05 CEA-01 CIAE-00 COME-00 EA-10 FRB-03 INR-07
IO-13 NEA-10 NSAE-00 USIA-06 OPIC-03 SP-02
TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 SS-15 SSO-00
INRE-00 /114 W

-----062808 121816Z /53

O 121716Z SEP 77

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 1772

INFO ALL EC CAPITALS IMMEDIATE

LIMITED OFFICIAL USE SECTION 01 OF 02 BRUSSELS 11680

USEEC

E.O. 11652: N/A

TAGS: ETRD, EEC

SUBJ: STEEL TRADE

REF: STATE 213428

1. IN RESPONSE TO REFTEL THE MISSION HAS PUT TOGETHER THE
FOLLOWING OUTLINE AND APPROPRIATE REFERENCES WHICH MAY BE
USEFUL IN PREPARATION OF TESTIMONY FOR SEPTEMBER 20 SUB-
COMMITTEE HEARINGS:

I. SIMONET/DAVIGNON PLAN AND ASSESSMENT

A. 76 EC BRUSSELS 11971, B. EC BRUSSELS 2080,
C. EC BRUSSELS 2592, D. EC BRUSSELS 2755, E. ECA-205,
F. EC BRUSSELS 3513, G. EC BRUSSELS 4610, H. ECA-314,
I. BRUSSELS 7072, J. BRUSSELS 7429

II. EC-9 REACTION

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRUSSE 11680 01 OF 02 121731Z

A. BONN 5140, B. PARIS 11627, C. BRUSSELS 7839,
D. LUXEMBOURG 666

III. US-EC CONSULTATIONS

A. STATE 3260, B. EC BRUSSELS 490, C. EC BRUSSELS 1663,

D. EC BRUSSELS 4033, 4057, 4059

IV. THIRD COUNTRY CONSULTATIONS

A. EC BRUSSELS 1372, B. BRUSSELS 7080, C. MADRID 4997,
D. BRUSSELS 6478, E. STOCKHOLM 2807, F. VIENNA 6439,
G. BRUSSELS 8842, H. 76 TOKYO 15972, I. 76 EC BRUSSELS
11368

V. TRADE IMPLICATIONS

A. EC BRUSSELS 2772, B. MEMCON 7/7/77 DAVIGNON/VANIK
(AVAILABLE IN EUR/RPE), C. BRUSSELS 7429

VI. OECD CONSULTATION - PARIS 21217

2. THE DAVIGNON PLANS CALLS FOR A SERIES OF MEASURES
DESIGNED TO AID THE LONG-AILING EUROPEAN STEEL INDUSTRY
BY RESTRUCTURING THE INDUSTRY AND INCREASING LONG-TERM
COMPETITIVENESS AND TEMPORARY MARKET ACTIONS TO BUY
TIME FOR MORE FUNDAMENTAL INDUSTRIAL CHANGES. THESE
MEASURES INCLUDE VOLUNTARY DELIVERY TARGETS, MINIMO
REFERENCE PRICES FOR MOST MAJOR STEEL PRODUCTS (WITH
MANDATORY MINIMUM PRICES FOR STEEL REINFORCING BARS)
AUTOMATIC IMPORT LICENSES, AIDS TO PRODUCTIVITY RESEARCH
AND MODERNIZING INVESTMENT, AND BILATERAL NEGOTIATIONS WITH
THIRD COUNTRIES TO REDUCE THE AMOUNT OF EXPORTS
TO THE EC AND/OR EXACT MORE ACCEPTABLE PRICE BEHAVIOR.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRUSSE 11680 01 OF 02 121731Z

US CONCERN OVER POSSIBLE DUMPING OF STEEL IMPORTS FROM
THE COMMUNITY TO THIRD COUNTRY MARKETS, INCLUDING THE
UNITED STATES, AND OF DEFLECTION OF THIRD COUNTRY
EXPORTS FROM THE EC TO THE UNITED STATES HAS BEEN
FORMALLY EXPRESSED TO THE COMMISSION ON A NUMBER OF
OCCASIONS SINCE DECEMBER 1976. THE USG ALSO EXPRESSED
ITS CONCERN THAT THE POTENTIAL DISRUPTION TO WORLD TRADE
IN THIS SECTOR THROUGH COMMUNITY EFFORTS TO IMPOSE
QUANTITY AND/OR PRICE BEHAVIOR ON OTHER STEEL PRODUCING
AND TRADING NATIONS WOULD REDUCE THE ABILITY OF
ESTABLISHED INTERNATIONAL TRADE ORGANS SUCH AS THE GATT
AND OECD TO DEAL EFFECTIVELY WITH THE PROBLEM. THE
UNITED STATES HAS INDICATED THAT THE DAVIGNON PLAN
GIVES CREDENCE TO CHARGES OF EUROPEAN PROTECTIONISM
AND PROVIDES ADDITIONAL FUEL TO GROWING PROTECTIONIST
DEMAND FROM US INDUSTRY.

3. THE EC REPLY IS THAT THE DAVIGNON PLAN IS TEMPORARY
AND NECESSARY TO PREEMPT MEMBER STATE PROTECTIONIST
MEASURES. THE COMMISSION HAS DENIED THAT THE PLAN WILL
LEAD TO THE CREATION OF ARTIFICIALLY HIGH PRICES FOR
EUROPEAN STEEL PRODUCTS AND HAS STATED THAT FEARS OF

DUMPING ARE MERELY HYPOTHETICAL. HOWEVER, IN PRIVATE DAVIGNON HAS ADMITTED THAT DUMPING IS INDEED A POSSIBILITY, BUT EXPRESSED HIS BELIEF THAT AFFECTED COUNTRIES WOULD TAKE APPROPRIATE ACTION TO COUNTERBALANCE IT. THE COMMISSION CLAIMS THAT TRADE DEFLECTION WAS UNLIKELY AS PRODUCERS WOULD ADJUST PRODUCTION TO MEET WORLD DEMANDS.

4. ASSESSMENT OF THE FIRST SIX MONTHS OF THE DAVIGNON PLAN HAS BEEN MOSTLY FAVORABLE. THE MARKET HAS SHOWN SLIGHT IMPROVEMENT AS PRODUCERS HAVE GENERALLY ALIGNED PRICES WITH THE MINIMUM PRICES PROPOSED BY THE COM-

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BRUSSE 11680 02 OF 02 121736Z
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 CIAE-00 INR-07 NSAE-00 H-01
MMO-01 AID-05 CEA-01 COME-00 EA-10 FRB-03 IO-13
NEA-10 USIA-06 OPIC-03 SP-02 TRSE-00 LAB-04
SIL-01 AGRE-00 OMB-01 SS-15 SSO-00 STR-05 INRE-00
/109 W

-----062882 121816Z /53

O 121716Z SEP 77
FM AMEMBASSY BRUSSELS
TO SECSTATE WASHDC IMMEDIATE 1773
INFO ALL EC CAPITALS IMMEDIATE

LIMITED OFFICIAL USE SECTION 02 OF 02 BRUSSELS 11680

MISSION. IN FACT, PRICES FOR MOST CATEGORIES WERE INCREASED IN AUGUST. THERE HAS ALSO BEEN AN IMPROVEMENT IN THE STEEL TRADE BALANCE WITH EXPORTS AND IMPORTS MOVING FAVORABLY. NEVERTHELESS, BECAUSE OF CHRONIC OVERCAPACITY AND THE GENERAL ECONOMIC SITUATION, PROSPECTS ARE STILL DIM. THE SECOND PART OF THE PLAN, PRESENTLY UNDER STUDY, WILL TACKLE THIS MORE FUNDAMENTAL PROBLEM. IT IS AIMED AT MODERNIZING INVESTMENT, CLOSURE OF ANTIQUATED FACILITIES, MERGERS, COORDINATION OF STATE AIDS AND ADJUSTMENT ASSISTANCE AND RETRAINING FOR DISPLACED WORKERS. THIS PART OF THE PLAN IS MORE DOUBTFUL OF SUCCESS, REQUIRING AS IT DOES, A HIGH DEGREE OF CO-OPERATION AND SPIRIT OF SACRIFICE AMONG MEMBER STATES, INDUSTRY, LABOR AND THE COMMISSION. BILATERAL CONTACTS HAVE BEEN MADE AT THE WORKING LEVEL WITH BRAZIL, SOUTH KOREA, SOUTH AFRICA, SPAIN, AUSTRALIA AND EFTA PRO-

DUCERS AND WILL CONTINUE IN EFFORTS TO REDUCE IMPORTS AND/OR CONTROL PRICE. THE COMMISSION IS ALSO CONSIDERING A COMMON STEEL POLICY TOWARD EAST EUROPEAN STATES. JAPAN SEEMS TO BE RESPECTING LAST YEAR'S AGREEMENT WITH THE EC ON STEEL EXPORTS.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRUSSE 11680 02 OF 02 121736Z

5. AS THE MISSION HAS PREVIOUSLY STATED, THE EFFECT ON US/EC TRADE OF SUCCESS OF THE DAVIGNON PLAN IN RESTRUCTURING THE INDUSTRY IS DIFFICULT TO PREDICT. A MORE EFFICIENT EUROPEAN STEEL INDUSTRY WILL MEAN STIFFER COMPETITION FOR US FIRMS WHILE REDUCTION OF EUROPEAN CAPACITY TO ENSURE INTERNAL MARKET EQUILIBRIUM WOULD REDUCE THE OPPORTUNITIES FOR TRADE DEFLECTION AND THE PRESSURE TO DUMP ABROAD TO MAINTAIN PRODUCTION. ALSO, A SUCCESSFUL PROGRAM WILL PREEMPT MEMBER STATE PROTECTIONIST MEASURES. UNFORTUNATELY FOR THE SHORT TERM, THE MAJOR IMPACT OF THE PROGRAM WILL BE THE MORE MARKET-LIMITED OFFICIAL USE

DISRUPTIVE MEASURES ON PRODUCTION QUOTAS, PRICES AND IMPORTS, WHILE ANY BENEFICIAL EFFECTS OF RESTRUCTURING WILL BE RELATIVELY UNIMPORTANT BEFORE 1980.

6. THE KEY TO MINIMIZING THE EFFECTS OF THE DAVIGNON PLAN ON WORLD TRADE MAY BE WITHIN THE OECD COMMITTEE. A FREE EXCHANGE OF INFORMATION REGARDING BOTH DOMESTIC AND BILATERAL AGREEMENTS WILL PERMIT ALL INVOLVED PARTIES TO ASSESS AND CRITICIZE THE VARIOUS PROGRAMS PRESENTLY IN PRACTICE THROUGHOUT THE WORLD. SUCH CONSULTATIONS SHOULD IDEALLY SET INFORMAL BOUNDARIES TO ACCEPTABLE TRADE BEHAVIOR AND LEAD TO THE ADOPTION OF PROGRAMS WHICH CAUSE THE LEAST AMOUNT OF DISTORTION. HINTON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: STEEL, TRADE, US CONGRESSIONAL HEARINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 12-Sep-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRUSSE11680
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770330-0060
Format: TEL
From: BRUSSELS USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770976/aaaaculun.tel
Line Count: 207
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8e198648-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 213428
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1313186
Secure: OPEN
Status: NATIVE
Subject: STEEL TRADE
TAGS: ETRD, EEC
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/8e198648-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009